



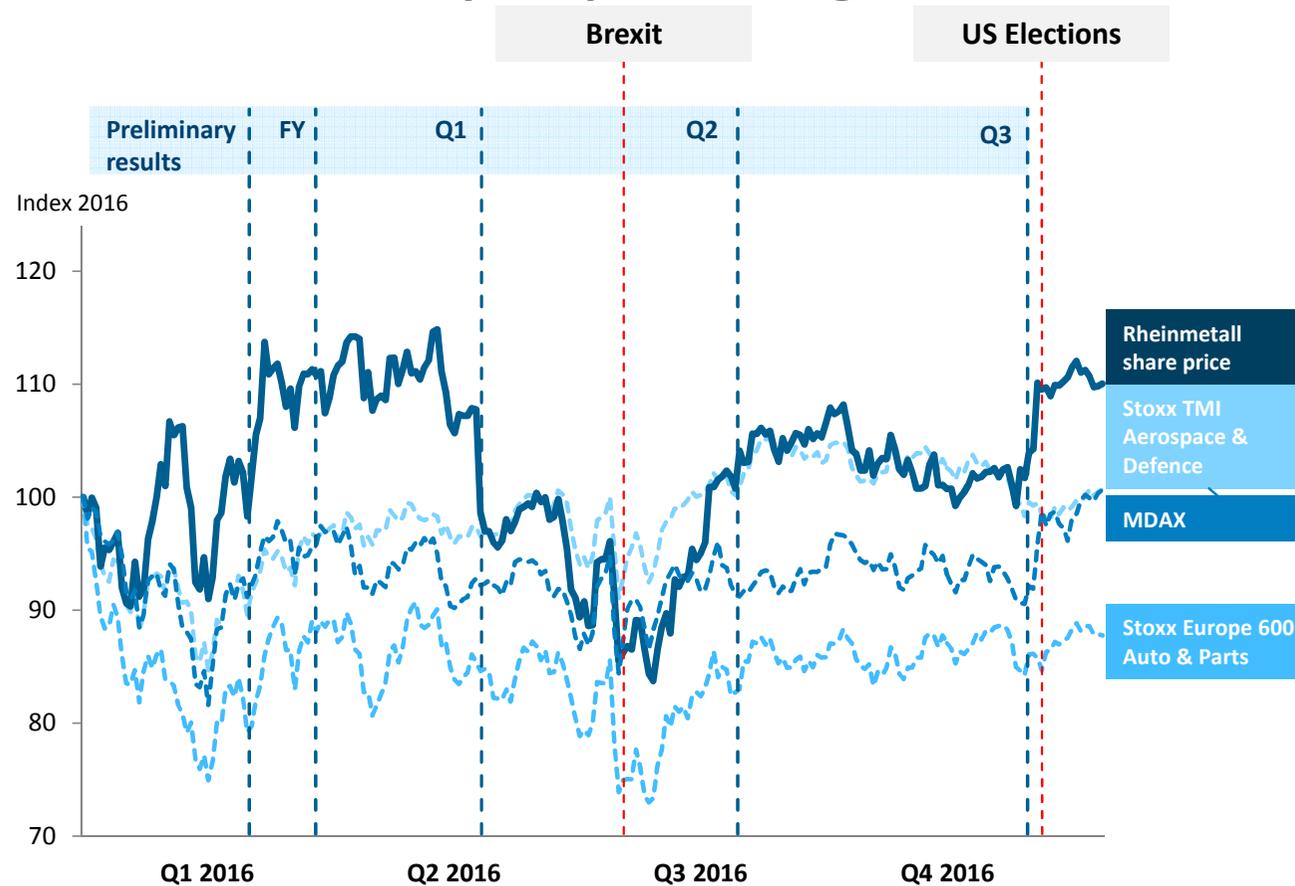
# Capital Markets Day 2016

## **Rheinmetall Group**

Helmut P. Merch, CFO  
Düsseldorf, 9 December 2016

# Share price 2016

## Volatile, but clearly outperforming EU sector indices



### Share price performance

- H1 reflects general automotive market concerns reinforced by market disappointment on Q1 figures
- Latest performance clearly driven by “Trump-effect”
- Recommendations with 64% on BUY
- Ø Price Target at € 70.93

### Valuation RHM vs. European Peers\*

	EV/EBIT	P/E
<b>Rheinmetall</b>	<b>10.48</b>	<b>12.41</b>
Defence EU peers	18.88	15.32
Automotive EU peers	12.57	11.16

\* Reuters as of 11 November 2016

# Highlights 2016

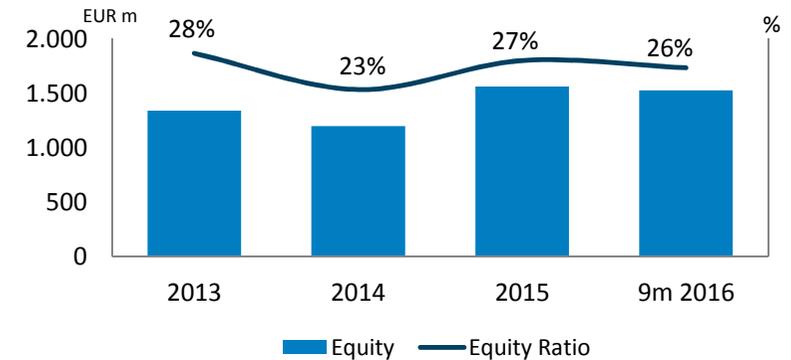
## Financial solidity materially improved

### Drivers

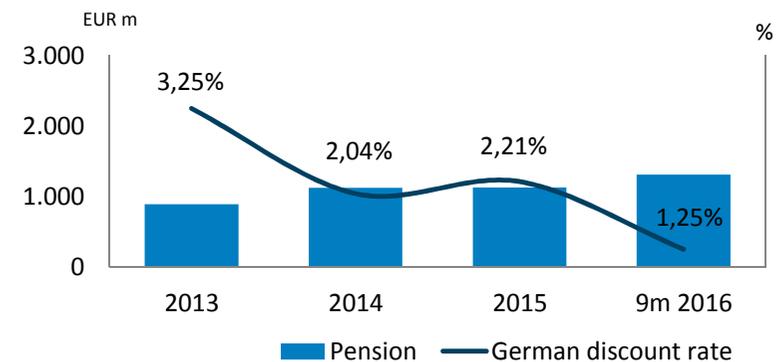
- Delivery on our targets
- Capitalizing on our restructuring efforts
- Achievement of a solid equity ratio
- Pension liabilities still rising on lowering discount rates
- Supportive market environment in both segments

**Credit rating Ba1 with outlook changed to stable in April 2016**

### Equity and Equity ratio



### Pension liabilities and German discount rate

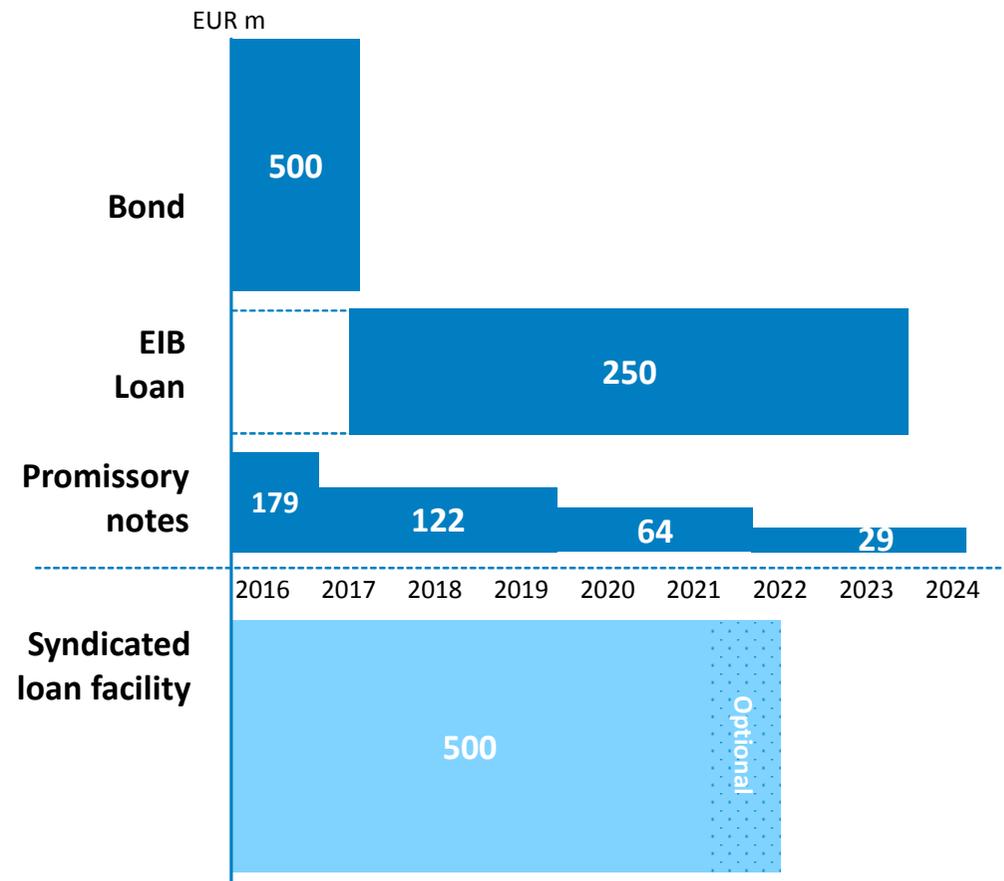


# Highlights 2016

## Successful diversification of credit market access

### ■ Improved maturity profile

- Dedicated EU funds for the financing of R&D in Automotive secured via EIB loan of EUR 250 million (Q3 2017)
- Liquidity secured via undrawn syndicated loan facility and undrawn bilateral bank facility
- Repayment of bond in September 2017; “replacement” by various financial instruments possible



# Outlook: Short-term perspective

## Update on Q4



- Global **Q4** LV production +0.5%, driven by China
- **China** with good development, uncertainties on future tax incentives
- **North American** and **European** LV markets softer

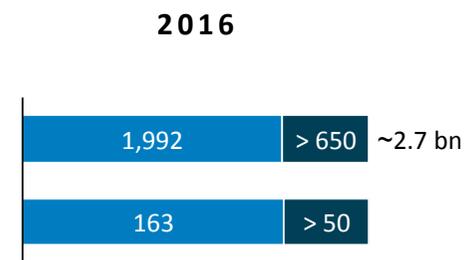
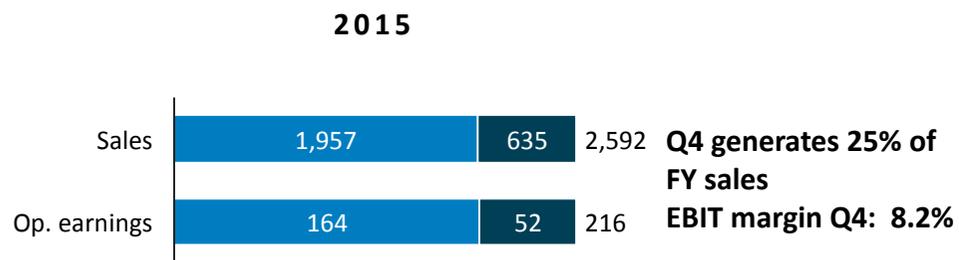
- Defence markets with strong tailwind post US election
- Order intake remains on high level
- Increased acquisition base for future growth

■ **Automotive** to meet sales guidance of around EUR 2.7bn    ■ **Defence** to meet sales guidance of around EUR 2.9bn

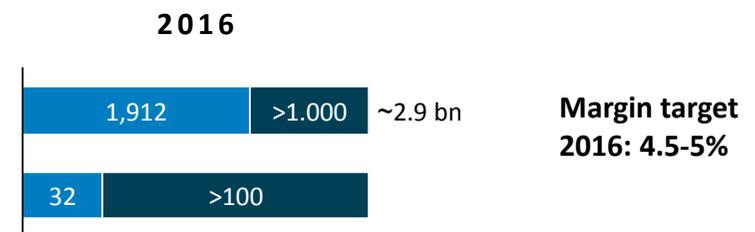
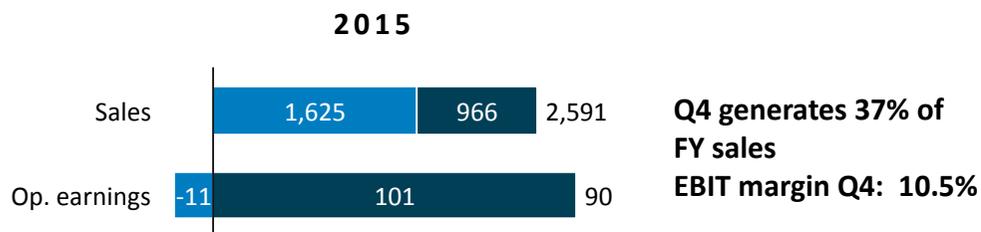
# Outlook: Short-term perspective

## Q4 with strong earnings development in Defence

### ■ Automotive sales and earnings *in EUR m*

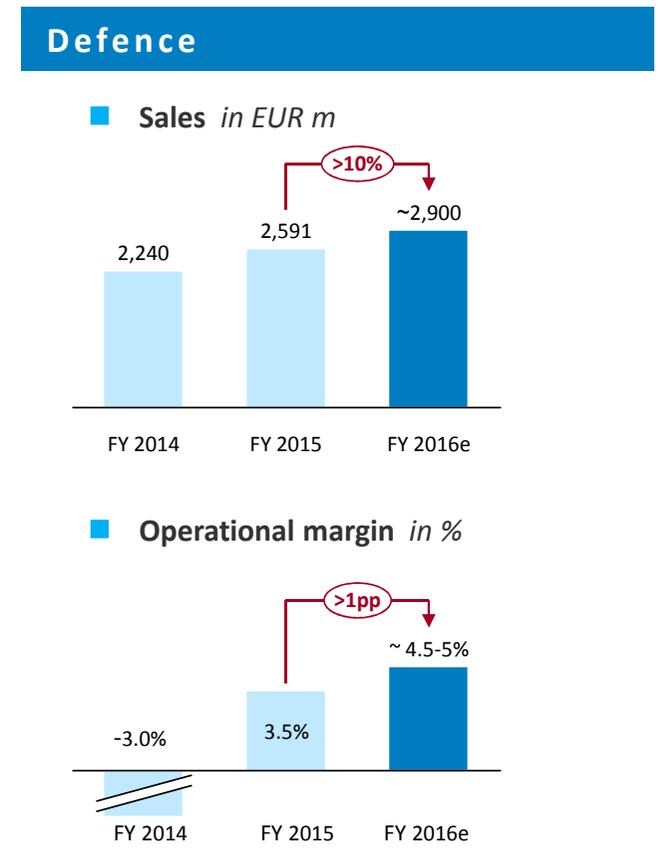
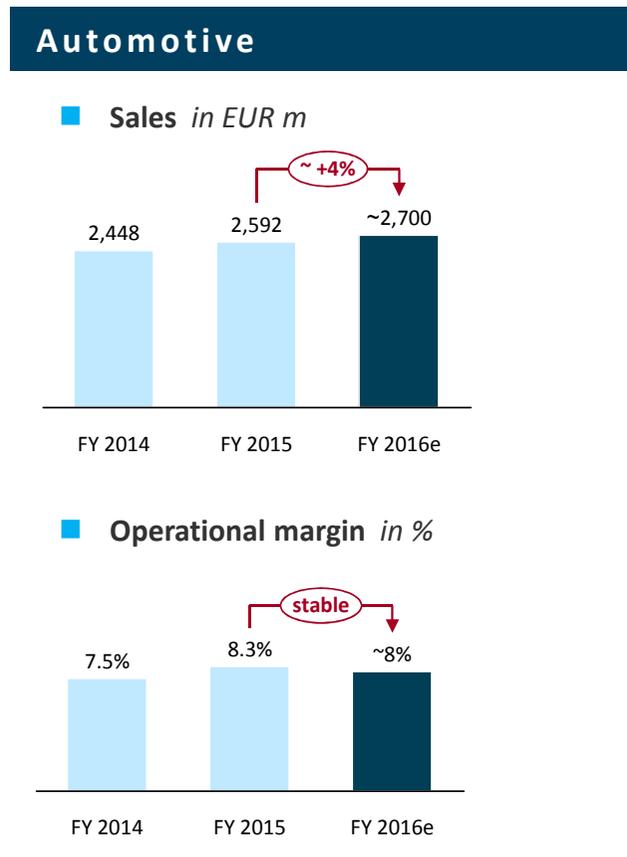
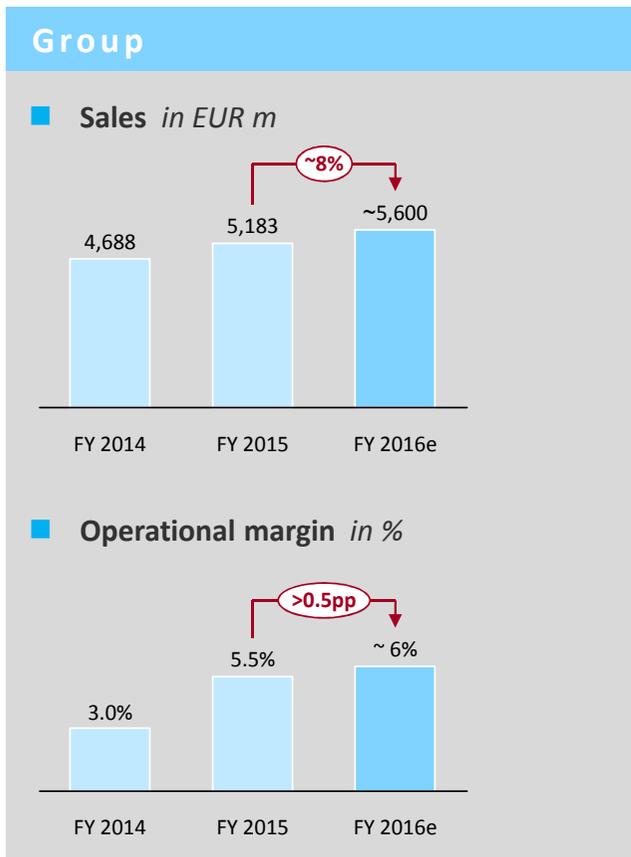


### ■ Defence sales and earnings *in EUR m*



# Outlook FY 2016

## Raised guidance confirmed

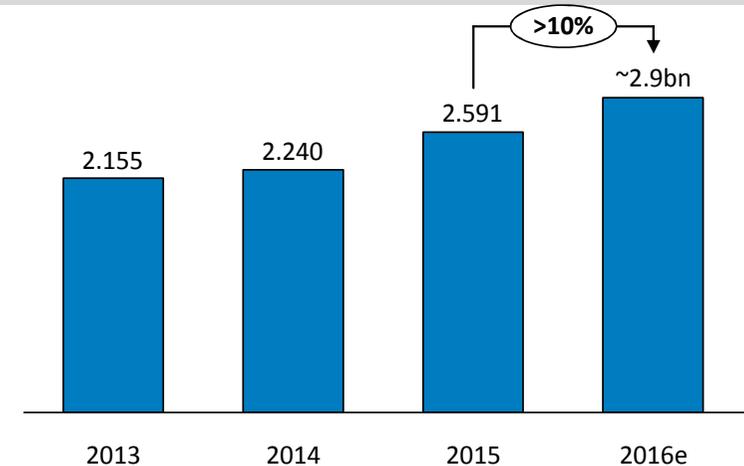
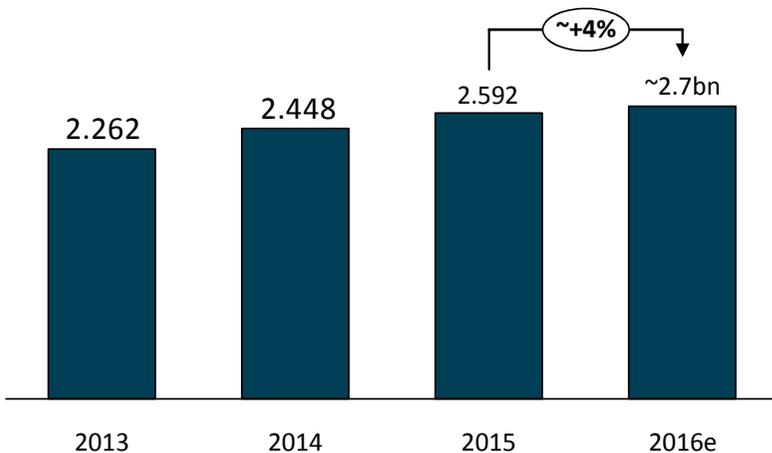


# Mid-term perspective

## Rheinmetall expected to outperform both markets

### Automotive Sales in EUR m

### Defence Sales in EUR m



**Automotive to slightly beat expected growth rates for global LV production of 2.9% (CAGR 2017-19\*)**

**Defence sales growth 2017-19 expected significantly above market growth, with a growth impulse in 2018 onwards**

\* IHS: November 2016

# Mid-term perspective

## Levers for future result improvement



### Mechatronics

Substantial opportunities for growth above market rates



### Hardparts

Optimizing assets and cost structure



### Aftermarket

Benefit from growing global vehicle fleets



### Vehicle Systems

- Exploit unique set up as a one-stop shop vehicle supplier
- Leverage the ramp-up of order backlog



### Weapon and Ammunition

Stabilize the high-margin levels in a growing business



### Electronic Solutions

Increasing top-line growth from 2018 onward and reducing losses in Norway



## Mid-term perspective

# Rheinmetall well positioned to accompany change in both markets



<b>Market environment</b>	<p>Growth of global LV production remains positive, but with reduced momentum compared to 2016</p>	<p>Macro environment for defence and security will continue to be supportive in the coming years</p>
<b>Chances and Risks (+/-)</b>	<ul style="list-style-type: none"> <li><span style="color: green;">+</span> Increase share of higher margin products, esp. in Mechatronics</li> <li><span style="color: red;">-</span> Slowdown in global markets</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: green;">+</span> Increasing defence budgets</li> <li><span style="color: green;">+</span> Broad product portfolio</li> <li><span style="color: red;">-</span> Potential setback in major tenders</li> </ul>
<b>Rheinmetall's targets</b>	<ul style="list-style-type: none"> <li>▪ Growth above market</li> <li>▪ Sustain profitability level</li> <li>▪ Focus of R&amp;D: neutrality of powertrain technology</li> </ul>	<ul style="list-style-type: none"> <li>▪ Benefit from positive market environment</li> <li>▪ Continuation of successful order acquisition</li> <li>▪ Efficient execution of the order backlog</li> </ul>

## All set for future growth!



Globally rising LV production remains the basis for future growth

Pressure on emission reduction offers additional chances

Preparation for new engine concepts has started

Markets provide plenty of growth opportunities

High order backlog confirms solid basis for the coming years

Further growth push to be expected for 2018



MOBILITY. SECURITY. **PASSION.**